

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
For The Year Ended March 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Ingallston Township	County Menominee
Audit Date 3/31/04	Opinion Date 7/14/04	Date Accountant Report Submitted to State: 9/10/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

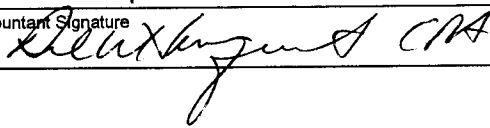
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Henquinet, Unger & Walters, S.C.			
Street Address 1727 Stephenson Street	City Marinette	State WI	ZIP 54143
Accountant Signature 		Date 9/10/04	

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
<u>Basic Financial Statements</u>	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet - Governmental Funds	11
Reconciliation of Balance Sheet of Government Funds to Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets - Fiduciary Fund	15
Notes to Financial Statements	16-26
<u>Required Supplemental Information</u>	
General Fund - Required Supplemental Information Budget Comparison Schedule	27
<u>Other Supplemental Information</u>	
Budgetary Comparison Schedule - General Fund	28-31
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	32-33



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INDEPENDENT AUDITOR'S REPORT

To the Ingallston Township Board
Menominee County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Ingallston Township, Menominee County, Michigan, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ingallston Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund information of Ingallston Township as of March 31, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2004 on our consideration of the Township's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 27 are not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ingallston Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


HENQUINET, UNGER & WALTERS, S.C.

Marinette, WI
July 14, 2004

INGALLSTON TOWNSHIP

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CLERK
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TREASURER
Lois Pfitzer
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TRUSTEES
Dennis Johnson
David Behrend

Management's Discussion and Analysis

This section of the Ingallston Township's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2004. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending March 31, 2004. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Township-wide Financial Statements

The Township-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported for in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township including but not limited to general government, public safety and public works. These activities are funded mostly by local property taxes and state shared revenue.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets available to fund future needs of the Township.

INGALLSTON TOWNSHIP

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Fund Financial Statements

The Township's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund and the Right of Way Maintenance Fund. Separate funds are often required to be set up and separately recorded due to state or federal statutes or other contractual agreements. All of the Township's services are reported in governmental fund types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fiduciary funds are funds that account for certain activities in which the Township acts as a trustee or in an agent capacity. The agency fund accounts are used to account for assets held by the Township as agent for other governmental units.

Governmental funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statement helps determine what financial resources are available on a short-term basis to fund operations.

Since the Township-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

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Township-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following table shows the March 31, 2004, condensed statement of net assets with a detailed analysis of the statement below.

		<u>Governmental Activities</u>
	ASSETS	
Current assets:		
Cash and investments		\$145,940
Accounts receivable		5,251
Other current assets		<u>3,485</u>
	Total current assets	<u>\$154,676</u>
Noncurrent assets -		
Capital assets, net		
of accumulated		
depreciation of		
(\$8,550)		<u>\$ 87,041</u>
	Total assets	<u>\$241,717</u>
	LIABILITIES	
Liabilities		<u>\$ -0-</u>
	NET ASSETS	
Investment in capital		
assets, net of related		
debt		\$ 87,041
Unrestricted		<u>154,676</u>
	Total net assets	<u>\$241,717</u>
	Total liabilities and net assets	<u>\$241,717</u>

INGALLSTON TOWNSHIP

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Township-wide Financial Statements - Condensed Financial Information - Continued

Statement of Net Assets - Continued

The previous table shows the Township's net assets to be \$241,717 at March 31, 2004. Capital assets are reported as \$87,041. This figure is derived by taking the original costs of the Township's assets, subtracting accumulated depreciation to date.

The unrestricted net assets are reported as \$154,676 as of March 31, 2004. This is the net accumulated results of past years' operations. The general fund operating results impact the unrestricted net assets on a yearly basis.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities (see condensed table below). This statement shows the changes in net assets for the fiscal year ended March 31, 2004. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons are not made.

	<u>Governmental Activities</u>
Revenue:	
Program revenue:	
Charges for services	\$ 5,700
General revenue:	
Property taxes	46,422
State shared revenue	73,243
Other	<u>1,890</u>
	Total revenue
	<u>\$127,255</u>
Functions/Program expenses:	
General government	\$ 66,851
Public safety	18,000
Public works	1,641
Other	<u>230</u>
	Total expenses
	<u>86,722</u>
	Increase in net assets
	<u>\$ 40,533</u>

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Statement of Activities - Continued

As reported in the statement of activities, the Township had an overall increase in net assets of \$40,533. The Township reports total net assets of \$241,717.

The Township's total revenues totaled \$127,255. Of this amount, the state shared revenue accounts for 58% of total revenues, or \$73,243. Property taxes assessed to the residents of the Township not restricted for other purposes totaled \$46,422.

The Township's total cost to fund all governmental activities was \$86,722.

Fund Financial Statements

The governmental fund financial statements report the Township's finances similar to how they have been reported in the past. The fund balance totaled \$154,676 at March 31, 2004. It increased for all governmental funds by \$35,275 for the year. The General Fund reported an increase in fund balance of \$34,558 and total major funds an increase of \$717. The General Fund increase resulted from budget road maintenance, which was not completed resulting in a favorable budget variance of \$58,359.

General Fund Budgetary Items

During the year, the Township revises its budget to attempt to match changes in the Township's funding environment and current needs. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. A schedule showing the Township's original budget as compared to the final budget and final actual expenditures is included as required supplementary information in the financial section of the audit report.

Capital Assets

At March 31, 2004, the Township had \$97,566 invested in capital assets. This included a net increase during the past fiscal year of \$5,258, consisting of additions totaling \$9,159; and depreciation charges of \$3,901.

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Future Considerations

The budget for the fiscal year ending March 31, 2005, is projecting a deficit of \$46,797 for the year.

Total budget revenue	\$126,768
Total budgeted expenditure	<u>173,565</u>
Deficit	<u>\$ 46,797</u>

The fund balance at March 31, 2003 is \$154,676 and will be reduced to \$107,879.

Contacting the Township

If you have any questions about this report or need additional information, contact the Treasurer's office at Ingallston Township, N4668 Pinewoods Loop No. 11, Wallace, MI 49893-9752

Basic Financial Statements

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
March 31, 2004

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 145,940
Taxes receivables	2,706
Other receivables	1,152
Due from other funds	1,393
Prepaid items	<u>3,485</u>
Total current assets	<u>\$ 154,676</u>
Noncurrent assets	
Capital assets	\$ 97,566
Less accumulated depreciation	<u>(10,525)</u>
Total noncurrent assets	<u>\$ 87,041</u>
TOTAL ASSETS	<u>\$ 241,717</u>
TOTAL LIABILITIES	<u>\$ -0-</u>
NET ASSETS	
Invested in capital assets	\$ 87,041
Unrestricted	<u>154,676</u>
TOTAL NET ASSETS	<u>\$ 241,717</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 241,717</u>

See accompanying notes to financial statements.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
Year Ended March 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges</u>	<u>Operating</u>	<u>Activities</u>
		<u>for</u>	<u>Grants</u>	<u>Net</u>
		<u>Services</u>		<u>(Expense)</u>
				<u>Revenue and</u>
				<u>Change in</u>
				<u>Net Assets</u>
Governmental activities:				
General government	\$ 66,851	\$ 5,700	\$ -	\$ 61,151
Public safety	18,000	-	-	18,000
Public works	1,641	-	-	1,641
Other	230	-	-	230
Total governmental activities	\$ 86,722	\$ 5,700	\$ -0-	\$ 81,022
General revenue:				
Property taxes				\$ 46,422
Intergovernmental				73,243
Investment income				1,890
Total general revenues				\$ 121,555
Change in net assets				\$ 40,533
Net assets - Beginning of year				201,184
Net assets - End of year				\$ 241,717

See accompanying notes to financial statements.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 145,223	\$ 717	\$ 145,940
Receivables			
Taxes	2,706	-	2,706
Other	1,152	-	1,152
Due from other funds	1,393	-	1,393
Prepaid items	<u>3,485</u>	<u>-</u>	<u>3,485</u>
TOTAL ASSETS	<u>\$ 153,959</u>	<u>\$ 717</u>	<u>\$ 154,676</u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Fund balances			
Reserved	\$ 3,485	\$ -	\$ 3,485
Unreserved			
Designated for fire equipment	15,000	-	15,000
Undesignated	<u>135,474</u>	<u>717</u>	<u>136,191</u>
Total fund balances	<u>\$ 153,959</u>	<u>717</u>	<u>\$ 154,676</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 153,959</u>	<u>\$ 717</u>	<u>\$ 154,676</u>

See accompanying notes to financial statements.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO NET ASSETS
March 31, 2004

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 154,676

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and are not
reported in the fund.

The cost of capital assets is	97,566
Accumulated depreciation is	<u>(10,525)</u>

Net assets of governmental activities	<u>\$ 241,717</u>
---------------------------------------	-------------------

See accompanying notes to financial statements.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended March 31, 2004.

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 49,962	\$ -	\$ 49,962
Intergovernmental	72,526	717	73,243
Licenses and permits	1,364	-	1,364
Other	<u>2,686</u>	<u>-</u>	<u>2,686</u>
Total revenues	<u>\$126,538</u>	<u>\$ 717</u>	<u>\$127,255</u>
Expenditures			
General government	\$ 62,950	\$ -	\$ 62,950
Public safety	18,000	-	18,000
Public works	1,641	-	1,641
Other	230	-	230
Capital outlay	<u>9,159</u>	<u>-</u>	<u>9,159</u>
Total expenditures	<u>\$ 91,980</u>	<u>\$ -0-</u>	<u>\$ 91,980</u>
Net change in fund balance	\$ 34,558	\$ 717	\$ 35,275
Fund balance, Beginning of year	<u>119,401</u>	<u>-</u>	<u>119,401</u>
Fund balance, End of year	<u>\$153,959</u>	<u>\$ 717</u>	<u>\$154,676</u>

See accompanying notes to financial statements.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2004

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 35,275

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlay as
expenditures; in the statement of activities,
these costs are allocated over their estimated
useful lives as depreciation

Depreciated expense	(3,901)
Capital outlay	<u>9,159</u>

Changes in net assets of government activities \$ 40,533

See accompanying notes to financial statements.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2004

	<u>Agency Tax Collection Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 1,393</u>
Total assets	<u>1,393</u>
Liabilities	
Due to general fund	<u>\$ 1,393</u>
Total liabilities	<u>\$ 1,393</u>

See accompanying notes to financial statements.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ingallston Township, Menominee County, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Township are described below:

A. The Financial Reporting Entity

Ingallston Township is a municipal corporation governed by an elected five-member board. The Township has not identified any component units that are required to be included in the financial statements in accordance with standards established by GASB Statement No. 14.

B. Basis of Financial Statement Presentation

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and in June 2001 issued Statement No. 37 *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus* (GASB 37).

The Ingallston Township has implemented these standards effective April 1, 2003.

Statements No. 34 and 37, among many other changes, adds two new "Government-Wide" financial statements as basic financial statements required for all governmental units. The Statement of Net Assets and the Statement of Activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the Township used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, GASB 34 and 37 concentrate on major funds versus non-major funds.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Township does not allocate indirect expenses to functions in the statement of activities. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Fund Financial Statements - Cont'd

- a. Total assets, liabilities, revenues, or expenditures/ expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds

Governmental funds are identified as either general or special revenue funds based upon the following guidelines.

General Fund

The general fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds are used to account for assets held by the Township as an agent for other governmental units.

Major Funds

The Township reports the following major governmental funds:

The *general fund*, which accounts for the Township's primary operating activities.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Fiduciary Funds

The Township reports the following agency fund:
Tax collection

C. Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The current financial resources measurement focus and the modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables. In addition to property taxes for the Township, taxes are collected for and remitted to the state and county governments as well as the local school districts. The statement of net assets includes only those taxes levied for the Township.

Intergovernmental aids and grants are recognized as revenues in the period the Township is entitled to the resources and the amounts are available.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

C. Basis of Accounting - Cont'd

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Measurement Focus

On the government-wide Statement of Net Assets and Statement of Activities the governmental activities are presented using the flow of economic resources measurement focus as defined below.

GOVERNMENTAL FUNDS

The modified accrual basis of accounting is used by all governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amounts of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. All significant revenue sources are treated as "susceptible to accrual".

Expenditures are recorded when the related fund liability is incurred. Liabilities for claims, judgments, compensated absences and pension contributions, if any, which will not be currently liquidated using expendable available financial resources are shown in the general long-term debt account group. The related expenditures are recognized when the liabilities are liquidated. The purchase of fixed assets used in governmental fund type operations (general fixed assets) are reported as expenditures of the governmental fund that finances the acquisition.

AGENCY FUNDS

The modified accrual basis of accounting is used by all agency funds.

E. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. Budgets and Budgetary Accounting - Cont'd

1. During March, the Township Board proposes an operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Township Board action.
2. Budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the general fund and special revenue funds.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Township. Amendments to the budget during the year require approval by the Township Board.
5. Encumbrance accounting is not used by the Township to record commitments related to unperformed contracts for goods or services.

F. Cash and Investments

Cash and investments are combined on the balance sheet. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at cost or amortized cost.

G. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Noncurrent portions of the interfund receivables for the governmental funds are offset by a deferred revenue account or shown as a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Joint Ventures

The Township is a participant with Menominee Township, Menominee County, Michigan in a joint venture to operate a landfill transfer station. The Menominee and Ingallston Township Transfer Station Board was created for that purpose. The Menominee and Ingallston Transfer Station is governed by a ten-member board composed of members from both Township Boards. The Townships are obligated by agreement to provide operating appropriations allocated 70% by Menominee Township and 30% by Ingallston Township. The percentage of each Township is determined by their SEV value. During 2003/2004, Ingallston Township did not remit an operating appropriation to the Menominee and Ingallston Transfer Station. Complete financial statements for the Menominee and Ingallston Transfer Station can be obtained from the Menominee Township Clerk's office at the Menominee Township Hall.

The Township is also a participant with Menominee Township, Menominee County, Michigan in a joint venture to operate the Menominee-Ingallston Township Fire Department. The Menominee-Ingallston Fire Department Board was created for that purpose. The Menominee-Ingallston Fire Department is governed by a ten-member board composed of members from both Township Boards. The Townships are obligated by agreement to provide operating appropriations allocated 70% by Menominee Township and 30% by Ingallston Township. The percentage of each Township is determined by their SEV value. During 2003/2004, Ingallston Township remitted an operating appropriation of \$18,000 to the Menominee-Ingallston Fire Department. Complete financial statements for the Menominee-Ingallston Fire Department can be obtained from the Menominee Township Clerk's office at the Menominee Township Hall and the Ingallston Township Clerk's office at the Ingallston Township Hall.

I. Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual cost is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The Township has a capitalization threshold of \$500.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

I. Capital Assets - Cont'd

Prior to April 1, 2003, governmental funds' capital assets were not accounted for and were not recorded directly as a part of any individual fund's financial statements. Infrastructure of governmental funds was not previously capitalized. Upon implementing GASB 34 governmental units are required to account for all capital assets, including infrastructure, in the government wide statements prospectively from the date of implementation. For the year ended March 31, 2004 the Township has reported infrastructure acquired by its governmental fund types since April 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

-Buildings	20-30 Years
-Office equipment	5-10 Years
-Infrastructure	50 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

NOTE 2 - CASH AND INVESTMENTS

The Township maintains various cash and investment accounts, including pooled funds, that are available for use by all funds. Each fund's portion of these accounts are displayed on the combined balance sheet as "cash and investments"

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 2 - CASH AND INVESTMENTS - CONT'D

State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The carrying value of cash and investments of the Township totaled \$145,940 on March 31, 2004 as summarized below:

Depository accounts with financial institutions	\$110,940
Certificate of deposit	<u>35,000</u>
	<u>\$145,940</u>

Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for demand deposits and \$100,000 for time deposits. At year-end, the bank balance of the Township's deposits with financial institutions totaled \$145,940. The amount not covered by FDIC income amounts to \$10,940.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Fund Balance</u>
Governmental activity				
Capital asset				
Building	\$ 10,600	\$ 8,064	\$ -	\$ 18,664
Office equipment	10,939	1,095	-	12,034
Infrastructure	<u>66,868</u>	<u>-</u>	<u>-</u>	<u>66,868</u>
Total capital asset	<u>\$ 88,407</u>	<u>\$ 9,159</u>	<u>\$ -0-</u>	<u>\$ 97,566</u>
Less accumulated depreciation for:				
Building	\$ 2,855	\$ 624	\$ -	\$ 3,479
Office equipment	3,221	1,940	-	5,161
Infrastructure	<u>548</u>	<u>1,337</u>	<u>-</u>	<u>1,885</u>
Total accumulated depreciation	<u>\$ 6,624</u>	<u>\$ 3,901</u>	<u>\$ -0-</u>	<u>\$ 10,525</u>
Governmental capital assets, net	<u>\$ 81,783</u>			<u>\$ 87,041</u>

Depreciation expense was changed to general government.

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables between individual funds of the Township as of March 31, 2004 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Operating accounts between funds		
General fund	\$1,393	\$ -
Agency fund tax collection	<u>-</u>	<u>1,393</u>
	<u>\$1,393</u>	<u>\$1,393</u>

NOTE 5 - RETIREMENT PLAN

The Township has a defined contribution pension plan covering only the Township board members. The Township's pension contribution for the year ended March 31, 2004 was \$6,675. There are no unfunded liabilities. The Township's contributions are based upon the prior year compensation for each board member.

NOTE 6 - RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures in the general fund of the Township.

NOTE 7 - CONTINGENT LIABILITIES

From time to time, the Township is party to pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Township's financial position or results of operation.

NOTE 8 - NET ASSETS/FUND BALANCES

GASB Statement No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 8 - NET ASSETS/FUND BALANCES - CONT'D

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Net Assets reported on the Government-wide Statement of Net Assets at March 31, 2004 includes the following:

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 87,041
Less: related long-term debt outstanding, less unspent portion	<u>-0-</u>
Total invested in capital assets	\$ 87,041
Net assets restricted	\$ -0-
Unrestricted	<u>154,676</u>
Total net assets - Government-wide statements	<u>\$ 241,717</u>

Fund balances reported in the governmental funds balance sheet at March 31, 2004 are further classified as follows:

Reserved	
Prepaid items	\$ <u>3,485</u>
Unreserved/Designated - Fire Truck	\$ <u>15,000</u>
Unreserved/Undesignated	\$ <u>136,191</u>
Total Governmental Funds' Fund Balance	<u>\$ 154,676</u>

Required Supplemental Information

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION
BUDGET COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2004

	<u>Budget Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u> <u>Budget</u>
Revenues				
Taxes	\$ 49,728	\$ 49,728	\$ 49,962	\$ 234
Intergovernmental	79,000	79,000	72,526	(6,474)
License and permits	1,130	1,130	1,364	234
Other	<u>1,642</u>	<u>1,642</u>	<u>2,686</u>	<u>1,044</u>
Total revenues	<u>\$ 131,500</u>	<u>\$ 131,500</u>	<u>\$ 126,538</u>	<u>\$ (4,962)</u>
Expenditures				
General government	\$ 69,620	\$ 70,335	\$ 62,950	\$ 7,385
Public safety	24,000	24,000	18,000	6,000
Public works	61,500	61,500	1,641	59,859
Other	20,000	19,126	230	18,896
Capital outlay	<u>9,000</u>	<u>9,159</u>	<u>9,159</u>	<u>-</u>
Total expenditures	<u>\$ 184,120</u>	<u>\$ 184,120</u>	<u>\$ 91,980</u>	<u>\$ 92,140</u>
Net change in fund balance	<u>\$ (52,620)</u>	<u>\$ (52,620)</u>	<u>\$ 34,558</u>	<u>\$ 87,178</u>
Fund balance - Beginning of year	<u>119,401</u>	<u>119,401</u>	<u>119,401</u>	<u>-</u>
Fund balance - End of year	<u>\$ 66,781</u>	<u>\$ 66,781</u>	<u>\$ 153,959</u>	<u>\$ 87,178</u>

Other Supplemental Information

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Taxes:				
Property tax	\$ 42,690	\$ 42,690	\$ 39,383	\$ (3,307)
Swamp tax	7,038	7,038	7,039	1
Tax collection fee	-	-	3,540	3,540
Total taxes	<u>\$ 49,728</u>	<u>\$ 49,728</u>	<u>\$ 49,962</u>	<u>\$ 234</u>
Intergovernmental:				
State shared revenue	<u>\$ 79,000</u>	<u>\$ 79,000</u>	<u>\$ 72,526</u>	<u>\$ (6,474)</u>
License and permits:				
Cable TV fees	\$ 1,050	\$ 1,050	\$ 1,152	\$ 102
Dog licenses	30	30	-	(30)
Business licenses	<u>50</u>	<u>50</u>	<u>212</u>	<u>162</u>
Total license and permits	<u>\$ 1,130</u>	<u>\$ 1,130</u>	<u>\$ 1,364</u>	<u>\$ 234</u>
Other				
Refunds	\$ -	\$ -	\$ 796	\$ 796
Interest	<u>1,642</u>	<u>1,642</u>	<u>1,890</u>	<u>248</u>
	<u>\$ 1,642</u>	<u>\$ 1,642</u>	<u>\$ 2,686</u>	<u>\$ 1,044</u>
TOTAL REVENUES	<u>\$131,500</u>	<u>\$131,500</u>	<u>\$126,538</u>	<u>\$ (4,962)</u>

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2004

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General government:				
Township board				
Salary	\$ 4,400	\$ 4,400	\$ 4,125	\$ 275
Education	250	250	-	250
Pension	7,500	7,500	7,192	308
Supplies	250	250	100	150
Services	2,000	2,000	1,900	100
Audit	-	-	-	-
Printing	200	200	226	(26)
Dues	1,000	1,000	782	218
Workman's Comp.	800	800	750	50
Social Security taxes	<u>3,500</u>	<u>3,500</u>	<u>1,403</u>	<u>2,097</u>
Total Township board	<u>\$ 19,900</u>	<u>\$ 19,900</u>	<u>\$ 16,478</u>	<u>\$ 3,422</u>
Supervisor:				
Salary	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Education	300	300	20	280
Mileage	200	200	278	(78)
Supplies	<u>200</u>	<u>200</u>	<u>94</u>	<u>106</u>
Total supervisor	<u>\$ 7,700</u>	<u>\$ 7,700</u>	<u>\$ 7,392</u>	<u>\$ 308</u>
Clerk:				
Salary	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Education	150	150	170	(20)
Supplies	-	405	197	208
Mileage	250	250	14	236
Printing	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total clerk	<u>\$ 7,500</u>	<u>\$ 7,905</u>	<u>\$ 7,381</u>	<u>\$ 524</u>
Treasurer:				
Salary	\$ 9,100	\$ 9,100	\$ 9,100	\$ -
Education	150	150	85	65
Supplies	2,000	2,000	1,712	288
Mileage	<u>300</u>	<u>300</u>	<u>\$ 315</u>	<u>(15)</u>
Total treasurer	<u>\$ 11,550</u>	<u>\$ 11,550</u>	<u>\$ 11,212</u>	<u>\$ 338</u>

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2004

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>
				<u>Budget</u>
General government Cont'd:				
Town Hall:				
Services	\$ 1,500	\$ 1,500	\$ 210	\$ 1,290
Utilities	1,500	1,500	1,817	(317)
Repairs	-	204	204	-
Fuel	700	700	386	314
Printing	-	-	-	-
Insurance	2,600	2,706	2,706	-
License	-	-	-	-
Supplies	100	100	-	100
Total Town Hall	<u>\$ 6,400</u>	<u>\$ 6,710</u>	<u>\$ 5,323</u>	<u>\$ 1,387</u>
Assessor:				
Salary	\$ 12,500	\$ 12,500	\$ 12,500	\$ -
Education	300	300	-	300
License	-	-	-	-
Supplies	1,200	1,200	1,117	83
Mileage	100	100	-	100
Dues	-	-	-	-
Reassess Township	-	-	-	-
Total assessor	<u>\$ 14,100</u>	<u>\$ 14,100</u>	<u>\$ 13,617</u>	<u>\$ 483</u>
Zoning board:				
Salary	\$ 700	\$ 700	\$ 330	\$ 370
Supplies	-	-	-	-
Printing	250	250	30	220
Services	-	-	-	-
Board of appeals	220	220	-	220
Total zoning board	<u>\$ 1,170</u>	<u>\$ 1,170</u>	<u>\$ 360</u>	<u>\$ 810</u>
Board of review:				
Salary	\$ 1,000	\$ 1,000	\$ 1,020	\$ (20)
Printing	300	300	167	133
Total board of review	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 1,187</u>	<u>\$ 113</u>
Total general government	<u>\$ 69,620</u>	<u>\$ 70,335</u>	<u>\$ 62,950</u>	<u>\$ 7,385</u>
Public safety:				
Fire protection	\$ 19,000	\$ 19,000	\$ 18,000	\$ 1,000
Fire truck	5,000	5,000	-	5,000
Total public safety	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 18,000</u>	<u>\$ 6,000</u>

INGALLSTON TOWNSHIP
MENOMINEE COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2004

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>
				<u>Budget</u>
Public works:				
Road maintenance	\$ 60,000	\$ 60,000	\$ 1,641	\$ 58,359
Land fill	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total public works	<u>\$ 61,500</u>	<u>\$ 61,500</u>	<u>\$ 1,641</u>	<u>\$ 59,859</u>
Other:				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 230	\$ 4,770
Contingencies	<u>15,000</u>	<u>14,126</u>	<u>-</u>	<u>14,126</u>
Total other	<u>\$ 20,000</u>	<u>\$ 19,126</u>	<u>\$ 230</u>	<u>\$ 18,896</u>
Capital outlay:				
Clerk	\$ 1,000	\$ 1,095	\$ 1,095	\$ -
Town Hall	<u>8,000</u>	<u>8,064</u>	<u>8,064</u>	<u>-</u>
Total capital outlay	<u>\$ 9,000</u>	<u>\$ 9,159</u>	<u>\$ 9,159</u>	<u>\$ -0-</u>
TOTAL EXPENDITURES	<u>\$184,120</u>	<u>\$184,120</u>	<u>\$ 91,980</u>	<u>\$ 92,140</u>



HENQUINET, UNGER & WALTERS, S.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Ingallston Township Board
Menominee County, Michigan

We have audited the financial statements of the governmental activities and each major fund of Ingallston Township, Menominee County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Ingallston Township, Menominee County, Michigan's basic financial statements and have issued our report thereon dated July 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ingallston Township, Menominee County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ingallston Township, Menominee County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.



HENQUINET, UNGER & WALTERS, S.C.

Marinette, WI
July 14, 2004